TEACHERS' PENSION PLAN

Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS — SUMMER 2005

Grimsby teacher becomes 100,000th pensioner

Donna knows what it means to retire from work, but not from life. The former secondary school teacher from Grimsby began a new life as our 100,000th pensioner with the same boundless energy she brought to the classroom and the tennis courts.

"During the retirement process, I realized how valuable my pension is," said Donna. "Most women who began their careers in 1972 had limited options. If I hadn't gone into teaching, I wouldn't have the pension security I enjoy today."

Pension provides security

That security will enable Donna to travel with her husband, also a retired teacher, and to enjoy hobbies ranging from curling to tennis. Their first big trip will take them to Australia to visit one of their daughters.

Like many members, Donna used *i*Access Web, our secure member website, to plot out different retirement scenarios. Her decision to retire was both tough and exciting. At her last staff meeting, Donna was surprised with an award of teaching excellence in recognition of her many accomplishments, often with special needs students.

About 4,000 other teachers have retired so far this year, raising the pensioner population to more than 100,000.

"Your pension plan now pays more people than most large employers in this country," said Rosemarie McClean, Senior Vice-President, Member Services. "Every month we pay about $300 million, or $3.6 billion a year."

Donna became the 100,000th pensioner when she retired in June.

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Average starting pension grows to $40,100 from $440 in 1927

The Teachers' Pension Plan was formed with little fanfare in 1917 as war raged in Europe and the worst pandemic in recorded history was about to explode.

Some 14,000 members joined the plan that first year with the promise of collecting a maximum $1,000 annual pension after 40 years of service. By 1949, the maximum annual pension had climbed to $3,000.

Today, a retiring teacher can expect to collect a pension for about 30 years, as long as the average teaching career. The average annual starting pension is now $40,100, a far cry from the average $440 pension paid in 1927.

On the list of features most valued by members is inflation protection, which represents about 25 per cent of the cost of providing a pension. Only a handful of pension plans in Canada keep pace with changes in the cost of living. As a result of annual inflation increases, an average unreduced $9,000 pension that started in 1975 has grown to $34,000 today. ■

Pension Plan Milestones

1917
- Plan established with 14,000 members
- Unreduced pension available after 40 years of service
- No inflation protection, no survivor benefits
- Maximum $1,000 annual pension

1928
- Disability pension available after 15 years of credit
- Reduced pension available after 30 years of credit

1949
- Survivor pensions introduced
- Maximum annual pension $3,000

1954
- Pension based on last 10 years' average salary

1966
- Contributions and benefits integrated with CPP
- Disability pension available after 10 years of credit
- Pensions based on best-7 years' average salary

1971
- Survivor pensions introduced for widowers
- 90 factor introduced

1976
- Annual inflation adjustments introduced

1984
- Pensions based on best-5 years' average salary
- Survivor pensions guaranteed to common-law spouses

1990
- Independent corporation established to administer the plan and manage $17 billion in assets on behalf of 300,000 members

1998
- 85 factor introduced as a temporary benefit
- 10,000 retirement pensions added to pension payroll
- Survivor pensions provided to same-sex partners

2001
- 85 factor made permanent
- Members keep more of pension after age 65
- Reduced retirement pensions available at age 50
- Addition of 10-year pension guarantee

2005
- Pension payroll grows to 100,000
- $85 billion in net assets

Kearns named new director

Helen M. Kearns has been appointed to the Teachers' Pension Plan Board of Directors. She replaces Ralph Lean who served on the board for six years.

Helen is President of Kearns Capital Corp., a financial advisory firm she founded in 2000, and former president of NASDAQ Canada. Helen began her career as an investment adviser with Richardson Greenshields. During 16 years with the firm, she held increasingly responsible positions, culminating as head of equity sales and trading. She then founded Kearns Capital Ltd., an independent investment dealer that specialized in telecom and emerging growth companies.

Helen M. Kearns

A native of Montreal, Helen served two terms as a director of the Toronto Stock Exchange. She sits on the boards of Bishop's University, the National Club, Women-in-the-Lead Inc. and the Scientific Research Foundation of the Multiple Sclerosis Society of Canada. ■

Temporary provisions to end for teaching after retirement

Get ready for a return to old plan provisions that restrict how much you can teach after retirement. The window that opened Sept. 1, 2001, to allow for extended teaching is scheduled to close Aug. 31, 2006.

Here's how the change will affect you if you work in education:

Rules in effect until Aug. 31, 2006

- Maximum 95 days of re-employment in any school year from Sept. 1, 2001, to Aug. 31, 2006, regardless of how many days you may have taught in the past.

Rules in effect after Aug. 31, 2006

- Maximum 95 days of re-employment in each of the *first three school years* in which you return to teaching. These don't need to be consecutive years.
- Maximum 20 days of teaching each school year after the first three years you return to teach.
- Years you taught before the window count.
- Years taught during the window—Sept. 1, 2001, to Aug. 31, 2006— don't count.

Exceeding the limit

Notify your employer when you reach the limit. Pension contributions will be deducted from your pay on your 96th day of re-employment. If you continue to teach the month after you exceed the limit, your pension will be suspended. It will be reinstated the month following your last day of re-employment.

How the limits work

Mary, who retired in June 1997, is thinking about teaching part time for the next few years. Mary can teach for up to 95 days in the upcoming 2005-06 school year, the last year covered by the temporary rules. After that, she can teach for no more than 20 days each school year because Mary already taught for three or more years before the window opened Sept. 1, 2001.

School years	Mary's limit	Days taught
1997–98	95	45
1998–99	95	15
1999–00	95	95
2000–01	20	20
2001–02	95	95
2002–03	95	60
2003–04	95	60
2004–05	95	95
2005–06	95	—
2006–07	20	—
2007–08	20	—
All other	20	—

The five-year temporary rule period

The 2005–06 school year is the last year covered by the temporary rules for teaching after retirement

More information

- View a *Re-employment* presentation on *i*Access Web TV.
- Read *Teaching after Retirement*, a fact sheet available from our office or www.otpp.com.

Part seven of an investment series

Infrastructure delivers stable long-term returns

During one hectic week in April, your pension plan's infrastructure team signed two major deals, valued at more than $2.8 billion, to acquire foreign infrastructure assets.

Infrastructure, which includes essential services such as highways, pipelines, water and electricity, is an ideal match for pension plans because it provides stable, long-term returns, linked to inflation.

"Two deals in a week is highly unusual and makes deal-making look easy," said Jim Leech, Senior Vice-President. "But the market is very competitive; many potential deals fall through because we refuse to pay more than we think an asset is worth."

Each bid involves hundreds of hours of research, skillful negotiations, thousands of miles of air travel and, sometimes, a healthy dose of good luck.

Jim Leech
Senior Vice-President

The first deal reached in April will transfer ownership of 10 power plants to your pension fund and investment partner AIG Highstar from Shell and the Bechtel Group.

"These state-of-the-art facilities, located around the world, have significantly lower emissions than older electricity generators and will complement the fund's growing infrastructure portfolio," Jim said.

The purchase, expected to be completed this summer, cost approximately $2.2 billion.

Water services purchased

The second deal, reached two days later, resulted in a 25 per cent stake in Northumbrian Water Group, a public company providing water and wastewater services in England. The investment is already proving profitable.

"Retired teachers in Ontario raised glasses of H_2O to Northumbrian Water as the utility paid dividends into their collective pension pot on the back of sparkling full-year results," reported the Daily Telegraph in London on June 9.

"Dull as dishwater Northumbrian may be, but the Ontario Teachers' Pension Plan now looks savvy in its decision to cough up 250 m pounds ($615 million) for the 25 per cent stake held until April by French group Suez," the Times said.

Jim said investments in infrastructure will continue to grow as we, like many other institutional investors, seek alternative ways to provide reliable returns with low risk.

For example, in June, we and two other partners completed the $7.25 billion acquisition of the Scotland and South of England gas distribution networks. We and Borealis Infrastructure Management Inc., an OMERS company, each hold a 25 per cent

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Infrastructure delivers stable long-term returns

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stake in a consortium that purchased the networks. (The other 50 per cent stake is held by a U.K. company, Scottish and Southern Energy).

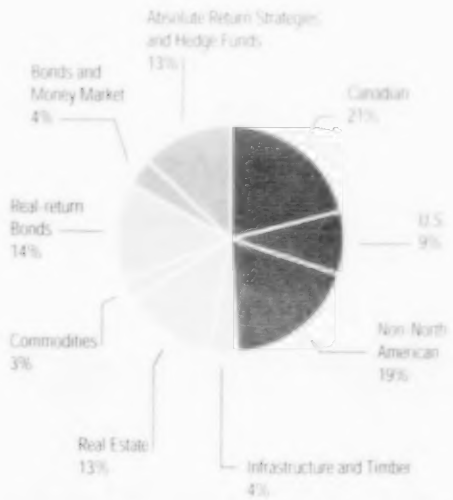
The networks comprise 73,000 km of gas mains and deliver gas to about 5.6 million industrial, commercial and domestic customers.

Jim said we are looking for other infrastructure opportunities, both at home and abroad. ■

Right asset mix needed to meet investment goals

Choosing the right asset mix is critical to achieving our investment goals. We allocate different proportions of the fund to different categories of assets—such as bonds, stocks and real estate—to achieve the long-term returns we need to pay inflation-protected pensions.

Actual Asset Mix
(as at Dec. 31, 2004)



Our goal is to select an asset mix that balances risks and rewards and avoids excessive volatility in the plan's assets. It also must be flexible to allow managers to take advantage of opportunities that arise in the markets.

For example, before 2001, the policy allowed investments in equities to vary between 50 and 70 per cent of net assets, with a target of 60 per cent. The flexibility allowed us to increase our investments in equities during the bull market of the mid-90s and to reduce them during the market downturn in 2000.

Today, our target exposure to equities is down to 45 per cent, reflecting our expectation for modest market returns during the next 10 years. ■

Did you know?

- Our infrastructure and timber assets produced a one-year rate of return of 17.8 per cent in 2004.
- Our investment in infrastructure increased more than a third last year.
- The fund owns infrastructure in Australia, Asia, Europe and North America.

Can I get a list of your investments?

A list of investments over $20 million is available in the investments section of our website at www.otpp.com. We have more than 2,000 investments throughout the world. Our largest investments are in Canadian and Ontario bonds.

How much will my pension increase next year?

We will notify you of the annual inflation adjustment in the next issue of *Pension News*, scheduled to be distributed in mid-November. If we have your e-mail address, we can notify you of the increase immediately after it's determined. To receive information via e-mail or to register for *i*Access Web, our secure member website, call us at 416-226-2700 or 1-800-668-0105.

Does my family need to notify you when I die?

Yes, your spouse or the executor of your estate should call us as soon as possible so we can stop your pension. We usually begin paying a survivor pension the month after we receive all the required forms and supporting documents. Sometimes a spouse takes months to notify us of a member's death. But the delay could cause financial problems because the spouse must repay any pension paid to the deceased member after the month of death.

Who manages and how big is the fund's real estate portfolio?

The portfolio is managed by Cadillac Fairview, a wholly-owned subsidiary of the Teachers' plan, with 1,800 employees. Real estate assets totalled $10.9 billion at the end of last year.

How do I notify you of my new e-mail address?

If you are registered for *i*Access Web, our secure member website, you can update your e-mail address online. If you retired recently, you may want to change your work e-mail address to your home e-mail address so you continue to receive information from us electronically. Visit our website at www.otpp.com and follow the link to log on to the secure site. To register for *i*Access Web, or to notify us of an e-mail address change by telephone, call 416-226-2700 or 1-800-668-0105.

Will my disabled adult child qualify for survivor benefits?

If you don't have an eligible spouse, your child may qualify for a survivor pension if he or she is disabled and financially dependent on you when you die. We can assess your child's medical eligibility for benefits now. If the requirements are met and your child's condition doesn't improve, he or she should medically qualify for benefits. Financial dependence is established after your death, although you can help prepare the paperwork now. Compile a detailed written statement demonstrating financial need and dependence. After you die, your child's guardian can update the statement. If you die before your spouse, your survivor pension will be paid to your qualified disabled child after your spouse's death. No two cases are alike, so call us if you have questions. ■

Foreign wire transfers introduced in 45 countries

Beginning this fall, your monthly pension payment can be wired directly into your bank account, in local or U.S. funds, in your choice of 45 countries.

"The new foreign wire transfer service will give pensioners living abroad a faster, safer and more reliable alternative to receiving their pension cheque by mail," said Rosemarie McClean, Senior Vice-President, Member Services.

Pension payments for members living in the U.S. can continue to be directly deposited into U.S. bank accounts.

Wire transfers will allow members living abroad to receive their pension on the last business day of every month or as close to that date as local conditions allow.

We are offering the service at no cost to members or the plan, although local banks may directly charge a fee.

More than 300 members living in nine countries receive pension payments in local currencies or U.S. funds. Some snowbirds receive a direct deposit in U.S. funds during their annual southern stay and a direct deposit in Canadian funds when they return home.

Forms for the new wire transfer service are available in the publications section of our website at www.otpp.com or call for copies. To arrange for your pension to be deposited in a U.S. bank account, complete a U.S. Direct Deposit Sign Up form, available in the same section of the website. ■

Non-resident payments require different tax deductions

Let us know, in a signed letter, if you become a permanent non-resident of Canada. The tax we deduct from your pension is based on your principal place of residence.

The non-resident tax rate is 25 per cent, unless reduced or exempted by an income tax treaty between Canada and your country of residence. Tax treaties exist with many retirement destinations for teachers, including the U.S., Mexico, the U.K., Northern Ireland, Italy, Spain, New Zealand, the Netherlands, Germany and Australia.

The government determines whether you're a non-resident, taking into account such things as houses, bank accounts, memberships, drivers' licences, cottages, and the time spent in Canada.

For more information, contact the Canada Revenue Agency international tax service at:

- 1-800-267-5177 (toll-free from Canada or the U.S.); or
- 613-952-3741 (call collect from other countries).

What's new at *i*Access Web

A new presentation on *i*Access Web TV addresses some of the confusion surrounding the integration of your Teachers' pension and CPP. The segment, which runs for about 10 minutes, complements other audio-visual presentations designed to help you learn more about your pension. The other presentations cover such topics as re-employment and the value of inflation protection.

Don't let a forgotten user ID stop you from enjoying the benefits of our secure member website. You can now get your user ID via e-mail. If you can't remember your ID or password, follow the instructions on the sign-in page and presto—you'll be pension surfing in no time. ■

Calling all former Independent Learning Centre employees

A recent decision may allow you to contribute retroactively to your pension for the time when you taught credit courses for the Independent Learning Centre. Contributing retroactively could increase the size of your pension. You may be eligible if you taught on an associate teacher contract:

- Less than full-time before 1984; or
- Full-time or less than full-time between Aug. 31, 1984, and Jan. 1, 1990.

The centre, formerly run by the Ministry of Education and now part of TVOntario, provides distance education courses. To qualify to contribute, you must provide your associate teacher contract, pay stubs, and proof of credit courses taught.

To apply for the opportunity, contact us for an information package at 416-226-2700 or 1-800-668-0105. Service with the centre after 1989 is ineligible for retroactive contributions. The deadline for applications is Dec. 31, 2005.

Pension News

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We appreciate your comments about anything you read in *Pension News*. Please contact Debra Hanna at 416-730-5351 or 1-877-812-7989 or e-mail: debra_hanna@otpp.com

This newsletter does not create any right to benefits. Your entitlements and those of your survivors are and will be governed by the language of the pension plan text. The information contained in this newsletter is not intended to be relied upon in relation to any particular circumstance.

Ce bulletin est disponible également en français.

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Test your pension parlance

Pension terms can stump anyone, from math teachers to financial advisers. See how pension literate you are by matching terms in the left column with definitions in the right column. The answers are printed upside down.

Term	Definition
1. Spouse	A. A pension plan that defines the benefit to be provided at retirement
2. Cheque	B. A professional who values pension assets and liabilities and the cost of providing pensions
3. CPP	C. The reduction applied to your Teachers' pension at age 65 or if you collect a CPP disability pension
4. GIS	D. A monthly benefit paid to Canadian residents who receive Old Age Security and have little or no other income
5. Survivor benefits	E. An annual statement of pension income used for income tax purposes
6. Actuary	F. The married or common-law partner you had when you collected your first pension payment. (Different rules may apply if you retired before 1990.)
7. CPP reduction	G. The pension benefits payable to your eligible spouse or dependent children when you die
8. Defined benefit plan	H. A locked-in retirement account used to provide an income stream in retirement
9. T4A	I. The actual time you worked while a member of the plan and one of two key variables that determined the amount of your pension
10. LIRA	J. A measure of inflation produced by Statistics Canada

Answers: 1. F, 2. I, 3. J, 4. D, 5. G, 6. B, 7. C, 8. A, 9. E, 10. H